



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Kathleen Clarke
Executive Director

Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

July 14, 2000

CERTIFIED RETURN RECEIPT
Z 230 748 217

Karen Palmer
Diamond K Gypsum, Inc.
1600 South Red Hills Drive
P.O. Box 35
Richfield, Utah 84701

Re: Receipt of Replacement Reclamation Surety, Final Approval of Amendment, Diamond K. Gypsum, Inc., DKG Quarry, M/015/041, Emery County, Utah

Dear Mrs. Palmer:

On April 6, 2000, the Division issued tentative approval for your amendment received August 31, 1998. Before final approval could be granted, a replacement surety and new Reclamation Contract were required. The surety amount was to be increased from \$29,400 to a new total of \$33,100 in 2005 dollars. The reclamation surety form needed to be made out jointly to the Bureau of Land Management (BLM) and the Division because the project involved BLM lands.


On June 12, 2000, we received the new Reclamation Contract, and on June 28, 2000, we received the replacement reclamation surety in the form an Irrevocable Letter of Credit (LOC) # SB-509779, issued by Zions Bank in the amount of \$33,100. The LOC jointly lists the Division and the Bureau of Land Management as requested.

On July 12, 2000, the Division Director signed and executed the Reclamation Contract. The Division hereby grants final approval of Diamond K Gypsum's amendment to the DKG Quarry large mine notice, and you may proceed with operations as outlined in your amended plan. Enclosed please find copies of the fully executed Reclamation Contract and the Zions Bank LOC for your records. Also enclosed are the existing original Reclamation Contract with the effective date of 2/28/96 for your disposal and the original Key Bank LOC #01-1002-KBU for your records, or return to Key Bank.

Page 2
Phillip Palmer
M/015/041
July 14, 2000

Thank you for your help in finalizing this permitting action. If you have any questions regarding this letter, please contact me at (801) 538-5286 or Tony Gallegos at 538-5267.

Sincerely,

A handwritten signature in black ink that reads "D. Wayne Hedberg". The signature is fluid and cursive, with the first name "D." and last name "Hedberg" clearly legible.

D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb
Enclosures: Original MR-RC dated 2/28/96, Key Bank LOC #021-1002-KBU
copy of MR-RC effective 7/12/2000, Zions Bank LOC # SB-509779
cc: Dean Nyffeler, BLM, Price FO, w/7/12/00 MR-RC & Zions Bank LOC
Kari Stevenson, Key Bank, LOC Department
O:\M15-41-apv

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING

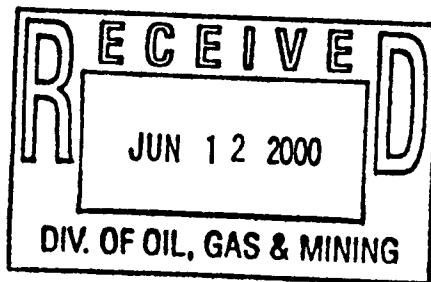
1594 West North Temple Suite 1210

Box 145801

Salt Lake City, Utah 84114-5801

(801) 538-5291

Fax: (801) 359-3940



RECLAMATION CONTRACT

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)
(Mineral Mined)

M/015/041

Gypsum

"MINE LOCATION":
(Name of Mine)
(Description)

DKG Quarry

Approximately 2 miles from exit 114
off I-70. Approximately 14 miles
southeast of Moore.

"DISTURBED AREA":
(Disturbed Acres)
(Legal Description)

12.6 acres

(refer to Attachment "A")

"OPERATOR":
(Company or Name)
(Address)

Diamond K Gypsum, Inc.

1660 South Red Hills Drive

P.O. Box 35

Richfield, Utah 84701

(Phone)

1-800-GYPSUM1 (1-800-497-7861)

"OPERATOR'S REGISTERED AGENT":

(Name)

Karen Palmer

(Address)

1600 South Red Hills Drive

P.O. Box 35

Richfield, Utah 84701

(Phone)

1-800-GYPSUM1 (1-800-497-7861)

"OPERATOR'S OFFICER(S)":

Phillip Palmer, President, CEO

Karen Palmer Vice President, CFO

Kristy Allred Secretary-Treasurer

"SURETY":

(Form of Surety - Attachment B)

Letter of Credit

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Zions Bank #SB-500779

"SURETY AMOUNT":

(Escalated Dollars)

\$33,100

"ESCALATION YEAR":

2005

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Diamond K Gypsum, Inc. the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/015/041 which has been approved by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated November 30, 1994, and the original Reclamation Plan dated November 30, 1994. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's

request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

Diamond K Gypsum, Inc.
Operator Name

By Karen Palmer
Authorized Officer (Typed or Printed)

Vice President
Authorized Officer - Position

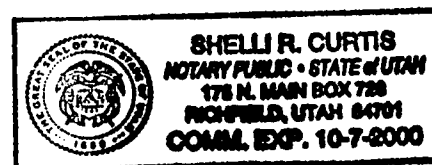
Karen Palmer 6-8-00
Officer's Signature Date

STATE OF Utah)
COUNTY OF Sevier) ss:

On the 8 day of June, 2000, personally
appeared before me Karen Palmer who being
by me duly sworn did say that he/she, the said Karen Palmer is
the Vice President of Diamond K Gypsum, Inc.
and duly acknowledged that said instrument was signed on behalf of said company by
authority of its bylaws or a resolution of its board of directors and said
Karen Palmer duly acknowledged to me that said company
executed the same.

Shelli R. Curtis
Notary Public
Residing at: Richfield, Utah

10-7-2000
My Commission Expires:



DIVISION OF OIL, GAS AND MINING:

By Lowell P. Braxton
Lowell P. Braxton, Director

7/14/00
Date

STATE OF Utah)
COUNTY OF Salt Lake) ss:

On the 12th day of July, 2000,
personally appeared before me Lowell P. Braxton, who being
duly sworn did say that he/~~she~~, the said Lowell P. Braxton
is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources,
State of Utah, and he/~~she~~ duly acknowledged to me that he/~~she~~ executed the foregoing
document by authority of law on behalf of the State of Utah.



Victoria A. Bailey
Notary Public
Residing at: Salt Lake City, UT

February 29, 2004
My Commission Expires:

ATTACHMENT "A"

Diamond K Gypsum, Inc.
Operator

DKG Quarry
Mine Name

M/015/041
Permit Number

Emery County, Utah

The legal description of lands to be disturbed is:

A maximum of 12.6 acres at any one time located within:

SW1/4, Section 29, T22S, R9E
SE1/4, Section 30, T22S, R9E
N1/2 NW1/4 NW1/4, Section 32, T22S, R9E

ZIONS BANK

Established in 1873

INTERNATIONAL BANKING
One South Main
Salt Lake City, Utah 84111 USA
Telephone: (801) 524-4916
Fax: (801) 322-5931

L/C No. _____

June 27, 2000

IRREVOCABLE LETTER OF CREDIT NO. _____

BENEFICIARY:
STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL GAS & MINING
1594 WEST NORTH TEMPLE
SALT LAKE CITY, UT 84114-5801

and
US DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
324 SOUTH STATE STREET
SALT LAKE CITY, UT 84111

EXPIRATION:
June 20, 2001 or any automatically extended date as
herein below set forth
USA
AMOUNT: USD33,100.00

Dear Sir/Madam:

At the request of DIAMOND K GYPSUM INC., 1600 SOUTH RED HILLS DRIVE RICHFIELD, UT 84701, Zions Bank hereby establishes an Irrevocable Letter of Credit in favor of the beneficiaries up to an aggregate amount of Thirty-Three Thousand One Hundred United States Dollars (USD 33,100.00) to expire at our counters on June 20, 2001. This credit is available for payment against presentation of your draft(s) at Sight drawn on Zions First National Bank, Salt Lake City, UT accompanied by this original Standby Letter of Credit and the following documents:

1. SIGHT DRAFT IN THE FORM OF EXHIBIT A, SPECIFYING LETTER OF CREDIT NO. _____
2. A CERTIFICATE IN THE FORM OF EXHIBIT B, SIGNED BY A DULY AUTHORIZED REPRESENTATIVE OF EACH BENEFICIARY RELATIVE TO DIAMOND K GYPSUM, INC. ("DKG"). DKG QUARRY, M/015/041, EMERY COUNTY, UTAH.

THIS LETTER OF CREDIT MAY BE TERMINATED UPON RECEIPT BY THE BANK OF A NOTICE OF CANCELLATION FROM THE DIVISION ACCOMPANIED BY THE ORIGINAL LETTER OF CREDIT.

THIS LETTER OF CREDIT WILL BE AUTOMATICALLY EXTENDED FOR SUCCESSIVE PERIODS OF ONE YEAR FROM THE CURRENT OR ANY FUTURE EXPIRATION DATE UNLESS THE BANK GIVES NOTICE TO THE DIVISION 90 DAYS PRIOR TO THE EXPIRATION DATE THAT THE BANK ELECTS NOT TO RENEW THE LETTER OF CREDIT.

PARTIAL AND MULTIPLE DRAWINGS ARE PERMITTED UP TO BUT NOT EXCEEDING THE AGGREGATE AMOUNT OF THE LETTER OF CREDIT.

ZIONS FIRST NATIONAL BANK (THE "BANK") WILL GIVE PROMPT NOTICE TO THE OPERATOR AND TO THE BENEFICIARIES OF ANY NOTICE RECEIVED OR ACTION FILED ALLEGING THE INSOLVENCY OR BANKRUPTCY OF THE BANK, OR ALLEGING ANY VIOLATIONS OF REGULATORY REQUIREMENTS WHICH COULD RESULT IN SUSPENSION OR REVOCATION OF THE BANK'S CHARTER OF LICENSE TO DO BUSINESS.

RECEIVED

JUN 28 2000

DIVISION OF
OIL, GAS AND MINING

THE LETTER OF CREDIT WILL BE GOVERNED BY THE LAWS OF THE STATE OF UTAH AND SHALL BE SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDIT, 1993 REVISION, INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 500, AS THE SAME MAY BE AMENDED AND IN EFFECT FROM TIME TO TIME ("UCP"). IN THE EVENT OF A CONFLICT BETWEEN UTAH LAW AND THE UCP, UTAH LAW SHALL GOVERN.

ALL COMMUNICATIONS REGARDING THIS LETTER OF CREDIT WILL BE ADDRESSED TO THE BANK, 1 SOUTH MAIN STREET, SALT LAKE CITY, UT 84111, REFERENCING LETTER OF CREDIT NO.

We hereby agree with drawers, endorsers and bona fide holders that all draft(s) drawn under and in compliance with the terms of this letter of credit will be honored upon presentation and delivery of documents to us as specified herein.

Sincerely,



Authorized Signature

EXHIBIT A - SIGHT DRAFT

to
Letter of Credit No.

Date

City, County

Letter of Credit No.

PAY TO THE ORDER OF: UTAH DIVISION OF OIL GAS AND MINING

DOLLARS

TO: ZIONS FIRST NATIONAL BANK
ONE SOUTH MAIN ST.
SALT LAKE CITY, UT 84111

Utah Division of Oil, Gas, and Mining
3 Triad Center, Suite 350
Salt Lake City, UT 84180-1203

By: _____
Authorized Signature

EXHIBIT B
to
Letter of Credit Number _____

I, _____ a duly authorized representative of the Utah Division of Oil, Gas and Mining, hereby certify that (1) the drawing in the amount of \$ _____, by sight draft accompanying this certificate, under Letter of Credit No. _____ dated _____ issued by you is permitted under the provision of the Letter of Credit, (2) the Letter of Credit has neither expired nor terminated pursuant to its terms, (3) the amount of the sight draft, together with any amounts previously drawn under the Letter of Credit, does not exceed the Face Amount, and (4) the Utah Board of Oil, Gas and Mining, after notice and hearing, has entered an Order which has not been stayed, ordering forfeiture of the Reclamation Contract number _____, in accordance with applicable law. Proceeds of this drawing will be utilized in full to pay the expenses relating to the reclamation liability for the _____ [mine], _____ [mine permit #1].

The Utah Division of Oil, Gas and Mining

By: _____
Authorized Signature

Date: _____

Bureau of Land Management

By: _____
Authorized Signature

Date: _____